



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 1, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: DEPARTMENT OF ANIMAL CARE AND CONTROL – REVENUE AND COLLECTIONS REVIEW

We have completed a review of the Department of Animal Care and Control's (DACC or Department) revenue and collections operations. Our review focused on key areas such as the Department's controls over collections from the public and revenue from contract cities. Our review included interviewing DACC personnel, evaluating DACC's procedures, and examining DACC's records.

The Department has six care centers that collect monies from the public for various animal control services (e.g., adoptions, spaying/neutering, etc.). The Department also receives payments for services provided to 49 contract cities, and has Animal Control Officers who collect payments for animal licenses or services provided in the field. DACC records collections in their animal management system (Chameleon), an information system that DACC uses to track collections and maintain information on their animal control operations.

Summary of Findings

We noted areas where DACC management can strengthen the Department's controls over revenue and collections. The following are examples of areas for improvement:

- DACC needs to reconcile manual receipts to monies collected to ensure accountability for all collections. Animal Control Officers manually complete and

issue County receipts for collections they make in the field. After returning to their assigned care centers, Animal Control Officers data enter the manual receipts into the Chameleon system and deposit collections into the care center's safe. However, management at one of the two care centers we reviewed indicated that no one reconciles the manual receipts to amounts deposited in the safe or amounts posted into Chameleon. In addition, neither care center ensures that all manual receipts are accounted for. As a result, collections could go missing without detection. For example, prior to our review, the Auditor-Controller's Office of County Investigations substantiated an allegation that an employee stole as much as \$4,500 in license fees collected in the field. The employee's supervisor did not properly reconcile collection records, which may have contributed to the employee's thefts going undetected. Although these thefts did not occur at a care center, this is an example of what can happen when manual receipts are not reconciled.

DACC's attached response indicates that they will provide training to managers to ensure they are aware of receipting, reconciliation, and other cash handling controls and practices.

- DACC needs to ensure that waived fees are appropriately approved and documented. Animal Control Officers waived fees totaling \$720 for seven (16%) of the 44 animal relinquishments we reviewed. The Animal Control Officers indicated that they obtained approval from a supervisor before waiving the fees. However, the approvals were not adequately documented.

DACC's attached response indicates that they will provide clarification and training to employees to reinforce the Department's policies and procedures for waiving fees.

- DACC needs to ensure care centers maintain sufficient security over cash and collections. At one care center, a cashier's purse was in the same drawer as the collections, and signed credit card receipts were left on top of the cashier's desk where they were accessible to other employees. At another care center reviewed, a cashier stored the starting cash in an unlocked drawer beneath the cash drawer.

DACC's attached response indicates that they will remind staff to keep personal belongings separate from cash drawers, and to store all cash, checks, and signed credit card receipts in locked cash drawers.

- DACC needs to ensure staff do not share logon identification and passwords for credit card terminals. A supervisor at one care center indicated that she shared her logon identification and password with cashiers who did not have their own

logon identification. Sharing logon credentials limits accountability over the credit card transactions processed.

DACC's attached response indicates that they will ensure that all clerical staff who process financial transactions have unique logon profiles.

- DACC should take steps to ensure contracts with cities are fully executed before the start of the service period. We noted that 41 (84%) of the 49 contracts with cities were not fully executed before the start of the service period. Of the 41 contracts, 27 were signed an average of 41 days late by the city, and the remaining 14 contracts had still not been fully executed at the time of our review, seven months after the service period had started. Providing services to a city without a contract could result in possible billing disputes.

DACC's attached response indicates that, because Fiscal Year 2015-16 was the start of a new five-year contract term, the cities needed more time than usual to review and approve the contracts. In addition, DACC submitted the new contracts to the cities later than usual because the Department was working on revising rates to better recover medical care costs. As a result, many cities were unable to complete their internal review and approval processes before the start of the service period. DACC indicated that they will implement this recommendation in future years.

- DACC needs to improve documentation for calculations of amounts to invoice to contract cities. For the five invoices we reviewed, there was no documentation to support adjustments made to some of the quantities of services provided, or documentation that a supervisor reviewed staff's work. We also noted calculation errors that resulted in overcharging one city \$2,127 and under-billing two cities a total of \$60.

DACC's attached response indicates that they are reviewing the contract cities billing process and identifying additional controls to improve the accuracy of invoices. DACC will also require supervisors to review and sign invoices.

Details of these and other findings and recommendations are included in Attachment I.

Review of Report

We discussed our report with DACC management. The Department's attached response (Attachment II) indicates general agreement with our findings and recommendations, and describes actions the Department has taken or plans to take to implement our recommendations.

We thank DACC management and staff for their cooperation and assistance during our review. If you have any questions, please contact me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:TK

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Marcia Mayeda, Director, Department of Animal Care and Control
Public Information Office
Audit Committee

**DEPARTMENT OF ANIMAL CARE AND CONTROL
REVENUE AND COLLECTIONS REVIEW**

Background

The Department of Animal Care and Control (DACC or Department) provides animal care and control services to residents in unincorporated areas of Los Angeles County and 49 contract cities. The services the Department provides include animal adoptions, animal licensing enforcement, and other animal care and kennel services. The Department's costs are partially offset by revenue from pet licenses and fees collected for services provided. DACC uses their animal management system (Chameleon) to record collections and maintain information on their animal control operations. During Fiscal Year (FY) 2014-15, the Department collected a total of \$15 million.

Scope

We reviewed the Department's compliance with County Fiscal Manual (CFM) requirements for revenue and collections. Our review focused on key areas such as the controls over collections, revenue recognition, and billings to contract cities for services provided. Our review included interviews with DACC management and staff, and tests of DACC's records.

Controls over Collections

The Department has six care centers that collect monies from the public for various animal control services (e.g., adoptions, spaying/neutering, etc.). The Department also has Animal Control Officers who make collections in the field. Animal Control Officers who report to care centers (Field Officers) respond to calls from the public and bring any collections they make (e.g., for relinquished animals, etc.) back to their assigned care center. Animal Control Officers who report to the Enforcement Services Division (License Enforcement Officers) collect delinquent animal license fees from owners in assigned geographical areas, and bring collections back to their assigned office. Staff enter all collections into the Chameleon system, and generate a Chameleon report of daily collections at the end of each day.

We reviewed DACC's controls over collections made by Field Officers, License Enforcement Officers, and by staff at two of the Department's six care centers, and noted various areas where the Department can improve controls.

Manual Receipts

Field Officers and License Enforcement Officers issue handwritten receipts from County receipt books for collections made in the field, and bring the collections and receipts back to their assigned care center or office. CFM Section 1.3.3 requires departments to maintain control logs to track manual receipt books issued to and returned by staff, and to limit access to unused receipt books. In addition, departments must ensure that

receipts are used in sequential order and that all receipts are accounted for. The CFM also indicates that departments should give original receipts to payers, and retain copies.

We noted the following issues for Field Officers' manual receipts at the two care centers we visited:

- **Manual receipts not reconciled to Chameleon** – After returning to care centers, Field Officers enter collection information from manual receipts into Chameleon and deposit monies collected into the care center's safe. Management at one care center indicated that no one reconciles manual receipts issued by Field Officers to amounts deposited in the safe or to collections entered into Chameleon. As a result, collections could go missing without detection. For example, prior to our review, the Auditor-Controller's Office of County Investigations substantiated an allegation that an employee stole as much as \$4,500 in license fees collected in the field. The employee's supervisor did not properly reconcile collection records, which may have contributed to the employee's thefts going undetected. Although these thefts did not occur at a care center, this is an example of what can happen when manual receipts are not reconciled.
- **Control logs not maintained** – We noted that the two care centers appropriately limited access to unused manual receipt books. However, one care center did not use control logs to track receipt books. Therefore, there was no record of who receipt books were issued to and no accountability for the receipts in those books. The other care center's control logs were not always dated to show when receipt books were issued or returned.
- **Receipts not accounted for** – Both care centers indicated that no one reviews Field Officers' manual receipts to ensure all receipts are accounted for or that they are used in sequential order. We reviewed manual receipts used over a two-month period at one care center and noted two missing receipts that care center management could not account for. We also noted that some Field Officers did not use receipts sequentially, but switched back and forth between two different receipt books. Using receipts in this manner makes it difficult to determine if all receipts are accounted for.
- **No anchor copies in receipt books** – The manual receipt books for relinquishments contain only the original receipt and one carbon copy, both of which are removed from receipt books. Therefore, Field Officers do not leave an anchor copy in the receipt books as CFM Section 1.3.3.1 requires. Because there were no anchor copies in the used receipt books, we were unable to determine how much was collected on the two missing receipts, and whether collections associated with the two receipts were entered into Chameleon.

For License Enforcement Officer collections, we confirmed that the Enforcement Services Division maintained control logs for receipt books issued to License Enforcement Officers, that the receipts we reviewed were used in sequential order, and the collections were deposited and entered into Chameleon. However, we noted the following areas where the Department can strengthen controls over License Enforcement Officer collections:

- **No documentation of supervisory review** – Each day, a supervisor reviews reports submitted by License Enforcement Officers of the manual receipts used and the monies collected that day. We reviewed 21 daily reports and noted that the supervisor did not document their review on two (10%) of the reports.
- **Manual receipts not entered into Chameleon timely** – We reviewed ten manual receipts to ensure collections were entered into Chameleon timely and accurately. The collections were entered accurately, but were not entered into Chameleon until an average of 11 days after the License Enforcement Officer had collected the payment. DACC should ensure that manual receipts are processed in Chameleon as soon as possible, so that customer accounts can be credited timely.

During our review, we noted that both Field Officers and License Enforcement Officers retained original receipts and issued carbon copies to customers. However, CFM Section 1.3.3.1 indicates that departments should retain carbon copies and give original receipts to payers. We also noted that Department staff do not consistently record manual receipt numbers in Chameleon. As a result, we were unable to obtain Chameleon reports that would indicate if all manual receipts had been entered, including the two missing receipts noted above. DACC management should designate a specific field in Chameleon for staff to record and track manual receipt numbers.

Recommendations

Department of Animal Care and Control management:

1. **Reconcile Field Officers' manual receipts to Chameleon records to ensure all collections are accounted for and entered into Chameleon accurately.**
2. **Ensure care centers maintain control logs to track who receipt books are issued to and dates receipt books are issued and returned.**
3. **Review Field Officers' manual receipts to ensure all receipts are accounted for and used in sequential order.**
4. **Ensure supervisors document their daily review of License Enforcement Officers' used receipts and collections.**

5. **Ensure License Enforcement Officers' manual receipts are entered into Chameleon timely.**
6. **Require Field Officers and License Enforcement Officers to provide original receipts to customers and retain the carbon copies.**
7. **Ensure that staff leave an anchor copy in receipt books.**
8. **Designate a specific field in Chameleon for staff to record and track manual receipt numbers.**

Waived Fees

County Code Section 10.90.010 authorizes fees to be waived if certain conditions are met. For example, Field Officers may waive fees for animal relinquishments if clients are unable to pay, but must obtain prior approval from a supervisor. In addition, License Enforcement Officers may waive penalty fees under special circumstances but must document the reason for waiving the fees (e.g., the animal was previously licensed in another jurisdiction, etc.). We noted the following issues with waived fees:

- **Approval to waive relinquishment fee not adequately documented** – Field Officers waived fees totaling \$720 on seven (16%) of the 44 manual receipts for animal relinquishments that we reviewed. Per staff interviews, Field Officers should obtain approval from a supervisor before waiving fees, and should submit a fee waiver form for review and approval after returning to the care center. Both care centers indicated that Field Officers annotate manual receipts to indicate which supervisor approved the waiver. However, one care center does not require Field Officers to complete fee waiver forms. DACC should develop formal written procedures that specify how fee waiver approvals should be documented.
- **No documentation to support waived penalty fees** – For two (20%) of the ten License Enforcement Officer receipts reviewed, it appears that a penalty fee should have been charged for a delinquent animal license. However, the penalty fee was not charged, and there was no documentation to explain why the penalty fee was waived.

Recommendations

Department of Animal Care and Control management:

9. **Clarify the Department's procedures for approving waived fees, and require supervisors to document their approval.**
10. **Ensure License Enforcement Officers document the reason and/or provide support for waiving penalty fees.**

Voided Transactions and Refunds

When a transaction entered into Chameleon needs to be voided, staff print a Chameleon receipt, mark it as "void," and put the receipt in the cash drawer. Similarly, when manual receipts need to be voided, staff mark the receipts as "void" and retain all copies of the receipt. CFM Section 1.3.3.1 indicates that voided receipts should be initialed by a supervisor, with a note as to why the receipt was voided. However, supervisors did not initial any (100%) of the 23 voided receipts we reviewed, and five (22%) of the 23 receipts did not have a note explaining the reason the receipt was voided.

We also noted that staff at one care center gave a cash refund to a client who made a cash payment earlier that day, even though DACC's informal policy prohibits cash refunds. Based on our interviews, it appears staff were not aware that they should not give cash refunds, and DACC's written procedures do not address cash refunds. We also noted that there is no indication that staff obtained supervisory approval to make the refund.

Recommendations**Department of Animal Care and Control management:**

- 11. Ensure supervisors initial voided receipts, and that voided receipts include an explanation as to why the receipt was voided.**
- 12. Revise the Department's written procedures to clarify that staff should not give cash refunds, and ensure staff are aware of this policy.**

Care Center Daily Reconciliations

CFM Section 1.3.3.1 indicates that an individual independent of cash receipting or depositing functions should reconcile receipts to bank deposits to ensure that all collections are accounted for and deposited. The reconciliation should be completed within five days after the cash is deposited to ensure timely detection of shortages.

At the end of each day, care center staff reconcile daily receipts per Chameleon reports to amounts on hand to ensure all collections are accounted for and to calculate the amount to deposit in the bank. The care centers submit daily reconciliation reports and supporting documents to the Department's Fiscal Services Division for review and approval.

We reviewed five daily reconciliations at each of the two care centers reviewed and noted the following:

- **Reconciliations not properly documented** – Although we did not note any discrepancies, we noted that care center staff did not properly document daily reconciliations. For example:
 - The five reconciliations reviewed at one care center did not include documentation that staff reconciled amounts on hand to Chameleon reports of amounts collected.
 - Staff at the other care center did not document reconciling items, but only indicated the total collections after adjusting for the reconciling items (e.g., voids, etc.).
 - The preparers did not sign or date the reconciliations.
- **Payments received by mail not reconciled** – CFM Section 1.3.6 requires departments to prepare a list of checks received by mail and to reconcile the list to supporting documents to ensure all receipts have been accounted for. However, one care center we reviewed did not keep a list of all payments received by mail. The other care center did not reconcile the list of payments received by mail to collections entered in Chameleon. This could result in lost or stolen payments going undetected.

Recommendations

Department of Animal Care and Control management:

13. **Ensure care centers properly document daily reconciliations by comparing amounts on hand to collections, including collections for all methods of payment, listing all reconciling items, and signing and dating the reconciliations.**
14. **Ensure care centers prepare a list of payments received in the mail and reconcile the list to collections entered in Chameleon.**

Physical Security over Care Center Collections

CFM Section 1.1.4 requires that adequate physical security must be maintained at all times over locations where cash is stored and processed. Access to cashiering areas, including cash registers, cash drawers, and safes, must be restricted to as few authorized individuals as possible.

We performed an unannounced cash count at two care centers and were able to account for the collections. However, we observed the following control weaknesses:

- **Personal belongings kept in the same drawer as collections** – At one care center, a cashier kept her purse in the same drawer where collections were kept.

Personal belongings should not be kept in the same location used to store collections.

- **Credit card receipts not secured** – At one care center, a cashier did not secure signed credit card receipts. The receipts were left on top of the cashier's desk instead of in the locked cash drawer.
- **Cashier's assigned starting cash not secured** – At one care center, one cashier did not keep his/her assigned starting cash in the cash drawer, but kept it in an unlocked drawer located beneath the cash register.
- **Unsecured mailbox** – One care center indicated that they receive some payments by mail. However, the mail is delivered to an unsecured mailbox that is accessible to any care center employee and the public. To prevent potential theft, DACC should secure the mailbox.

Recommendations

Department of Animal Care and Control management:

15. **Ensure staff do not store personal belongings in cash drawers.**
16. **Ensure cashiers store all cash and signed credit card receipts in a locked drawer.**
17. **Ensure mailboxes where payments are received are secured and access is restricted.**

Accountability over Cash and Collections

CFM Section 1.3.3.1 indicates that when cash collections are transferred from one employee to another, accountability for the collections should also transfer, and should be supported by documentary evidence with signatures of the transferring and receiving employees. In addition, only authorized employees should process credit/debit card transactions.

We noted various weaknesses in the accountability over cash collections.

- **Insufficient accountability over cash deposits** – At the two care centers, the cashiering supervisors give cash from daily collections to other staff to deposit at the bank. However, the care centers do not maintain documentation of the change in custody over the cash. In addition, staff at one care center indicated that they do not count the cash to verify the amount changing hands before taking it to the bank. DACC should ensure that accountability over cash is maintained and documented.

- **Shared user logon information for credit card terminals** – Credit card payments are processed on terminals that are separate from the Chameleon system. Each user should have a unique logon identification and password. However, a supervisor at one care center indicated that she shared her logon identification and password with cashiers who did not have their own identification. Sharing user identification and passwords limits accountability over credit card transactions. DACC should ensure each user who is authorized to process credit card transactions has a unique logon identification, and that passwords are not shared.
- **Change funds not adequately tracked** – Each day, supervisors at the two care centers we visited distributed change funds to cashiers as starting cash for giving change to customers. The care centers kept records documenting the transfer of cash to the cashiers. However, the cashiers had possession of the records during the day, and at one location also had access to the blank forms used to document the transfer of cash. As a result, the cashiers had the opportunity to make changes to or destroy the records, which could result in loss of accountability over who had possession of the change fund. In addition, at one of the care centers, staff did not always document the transfer of cash from the cashiers back to the supervisor.
- **Insufficient accountability over cash drawer keys** – Care center supervisors give cash drawer keys to cashiers on duty each day. At one care center, the supervisor kept a log of the daily key assignments, but did not obtain the cashiers' signatures confirming that they received the keys. The supervisor at the other care center did not use a log to document key assignments.

Recommendations

Department of Animal Care and Control management:

18. **Require care centers to document changes in custody over daily cash deposits, and ensure the transferring and receiving employee each verify the amount transferred.**
19. **Assign each cashier a unique logon identification and password for credit card terminals, and ensure passwords are not shared.**
20. **Ensure care centers properly complete and maintain control logs for change funds, and limit access to control logs to the fund custodian or their designees.**
21. **Ensure accountability over cash drawer keys is maintained and documented.**

Contracts with Cities

The Department provided various animal control services to 49 contract cities in FY 2014-15. The contract with each city specifies the specific types of services that DACC will provide the city and the rates at which the city will be charged. At the end of each month, DACC sends an invoice to each city detailing the charges for services provided and credits for any collections made on behalf of the city (e.g., for animal licenses, etc.).

Executed Contracts

Contracts should be executed before the start of the service period. In addition, the original-signed contract should be retained in the Department's records. We reviewed the 49 contracts with cities and noted the following:

- **Contracts not executed timely** – We noted that 41 (84%) of the 49 contracts were not fully executed before the start of the service period. Of the 41 contracts, 27 were signed an average of 41 days late by the city, and the remaining 14 contracts had still not been fully executed at the time of our review, seven months after the service period had started. DACC indicated that eight of the 14 contracts had been signed by the cities and were in the signature process on the County's side, but cities had not signed the remaining six contracts. Providing services to a city without a signed contract could result in possible billing disputes over services that were provided, but not agreed upon.
- **Contract signatures not dated** – For the eight (16%) of the 49 contracts signed by the cities by the start of the service period, the required County signatures were not dated. As a result, we were unable to determine if the contracts were fully executed timely. The Department should ensure that all contract signatures are dated.

Recommendation

22. **Department of Animal Care and Control management ensure contracts with cities are executed before the start of the service period, and that all contract signatures are dated.**

Invoices to Cities

At the end of each month, the Department compiles information from various sources, such as Chameleon reports, to calculate amounts due for services provided to the cities and the credits that are due to the cities (e.g., for animal licenses collected on behalf of the cities, etc.). Staff prepare invoices to the cities based on this information and submit the invoices to a supervisor for review.

We reviewed the supporting documentation for five invoices with total charges of \$241,000, and noted areas where the Department can improve their invoicing procedures.

- **No documentation of supervisory review** – DACC indicated that a supervisor reviews staff's work before invoices are sent to the cities. However, for the five (100%) invoices we reviewed, there was no documentation of the supervisor's review.
- **Billing errors** – One of the five invoices reviewed contained a calculation error that resulted in an overbilling of \$2,127 to one city. An additional two invoices contained minor errors that resulted in under-billing two cities a total of \$60.
- **Insufficient supporting documentation** – Staff indicated that they calculated the quantities of some services provided based on multiple Chameleon reports, after making manual adjustments to properly account for services so that cities would not be over billed. However, staff did not document the reason or the support for the adjustments. DACC management should ensure the Department's invoicing procedures require staff to document the calculations supporting the quantities invoiced and the reasons for any adjustments.

Recommendations

Department of Animal Care and Control management:

23. **Ensure invoices for services provided to contract cities are accurate, and require supervisors to document their review of the invoices.**
24. **Ensure the Department's invoicing procedures require staff to maintain sufficient documentation to support amounts billed to contract cities, including calculations supporting the quantities invoiced and the reasons for any adjustments.**

Revenue Recognition

DACC temporarily holds collections in a trust fund until the collections are transferred to revenue or other trust funds. We reviewed one month's activity in four accounts within the trust fund to ensure DACC transferred collections to revenue or other trust funds timely, and that DACC could account for all balances in the accounts.

For the month reviewed, DACC transferred collections to revenue timely. However, they did not always transfer collections to other trust funds timely. For one of the four accounts reviewed, DACC had not transferred \$7,600 of collections for the Low Cost Spay Neuter Program (spay/neuter program) out of the temporary holding trust fund, even though the appropriate disposition of the monies had been identified. DACC management indicated that spay/neuter program collections for contract cities are

transferred out of the temporary holding trust fund at the end of the fiscal year. DACC should transfer the contract cities' spay/neuter program collections to the appropriate trust fund monthly, as soon as the monies are identified.

We also noted that DACC does not reconcile the Department's records for the temporary holding trust fund to the electronic Countywide Accounting and Purchasing System (eCAPS), as required by CFM Section 2.3.0. Therefore, we were unable to determine if the Department can account for the trust fund balance (i.e., the source and appropriate disposition of all monies in the fund).

During our review, DACC management indicated that the trust fund that holds collections for the spay/neuter program also holds refundable deposits from pet owners whose animals are too young to be spayed/neutered at the time they are adopted. Although DACC indicated that they keep records outside of eCAPS to track amounts to be used for the spay/neuter program and amounts to be refunded to owners, the monies are not separated in eCAPS. DACC should separate the monies into different accounts in eCAPS to provide better controls over the monies.

Recommendations

Department of Animal Care and Control management:

- 25. Transfer the contract cities' collections for the Low Cost Spay Neuter Program out of the temporary holding trust fund at least monthly for funds for which the correct disposition has been identified.**
- 26. Reconcile the temporary holding trust fund balance per departmental records to eCAPS monthly.**
- 27. Establish a separate account within an eCAPS trust fund to hold monies for the Low Cost Spay Neuter Program.**



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Director

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Agoura, CA 91301
(818) 991-0071

Baldwin Park ACC
4275 N. Elton St.
Baldwin Park, CA 91706
(626) 962-3577

Carson/Gardena ACC
216 W. Victoria St.
Gardena, CA 90248
(310) 523-9566

Castaic ACC
31044 N. Charlie Cyn.
Road
Castaic, CA 91384
(661) 257-3191

Downey ACC
11258 S. Garfield Ave.
Downey, CA 90242
(562) 940-6898

Lancaster ACC
5210 W. Avenue I
Lancaster, CA 93536
(661) 940-4191

TO: John Naimo
Auditor-Controller

FROM: Marcia Mayeda
Director

**DEPARTMENT OF ANIMAL CARE AND CONTROL
REVENUE AND COLLECTIONS REVIEW**

Attached is the Department of Animal Care and Control (DACC) response to the recommendations contained in the Auditor-Controller's (A-C) report on the review of the Department's revenue and collections. The Department concurs with the findings and has initiated the following corrective actions to address each of the A-C's recommendations.

We appreciate the A-C's assistance and professionalism during the course of this review. Please let me know if you have any questions or require additional information regarding the attached corrective actions. You may also have your staff contact Patrick Malekian, Administrative Deputy, at (562) 256-2400.

MM:BW:PM

Attachment

c: DACC (Betsey Webster, Patrick Malekian, Teresa Lam)

Attachment

DEPARTMENT OF ANIMAL CARE AND CONTROL

RESPONSE TO AUDITOR-CONTROLLER'S
REVENUE AND COLLECTIONS REVIEW

Recommendation 1: Reconcile Field Officer manual receipts to Chameleon records to ensure all collections are accounted for and entered into Chameleon accurately.

DACC Response to Recommendation 1: Agree and partially implemented.

Current practices are consistent with this recommendation. Manual receipts are reconciled in Chameleon. The senior clerk reconciles all receipts, including the handwritten receipts entered in Chameleon by the Field Officers at the time the deposit is completed. DACC is implement a training for managers to ensure they are aware of the receipting and reconciliation controls that are in place and other cash handling controls and practices

Recommendation 2: Ensure care centers maintain control logs to track who receipt books are issued to and dates receipt books are issued and returned.

DACC Response to Recommendation 2: Agree and partially implemented.

DACC has created a uniform control log to track the issuance of receipt books to Field and License Enforcement Officers. The log will identify that all receipt books are issued in sequential order and document the issue and return date of individual receipt books. The control log will be used after a comprehensive retraining of all DACC staff involved in cash handling which is scheduled for early 2016.

Recommendation 3: Review Field Officers' manual receipts to ensure all receipts are accounted for and used in sequential order.

DACC Response to Recommendation 3: Agree and will be implemented.

DACC is in the process of ordering new receipt books with an additional carbon copy which will remain in the receipt books as the anchor copy. Supervisors will be instructed to periodically perform unannounced audits of the receipt books to ensure that all anchor copies and unused receipts are accounted for and issued in sequential order.

Attachment

Recommendation 4: Ensure supervisors document their daily review of License Enforcement Officers' used receipts and collections.

DACC Response to Recommendation 4: Agree and implemented.

Current practices are consistent with this recommendation. Supervisors in the License Enforcement Division review the Daily License Work Report including each receipt issued and/or voided. The supervisors document the review and reconciliation of the daily collections by signing the Daily License Work Report and initialing the voided receipts.

Recommendation 5: Ensure License Enforcement Officers' manual receipts are entered into Chameleon timely.

DACC Response to Recommendation 5: Agree and implemented.

DACC is committed to entering the manual receipts into the Chameleon system as quickly as possible. The typical timeframe from the time a receipt is issued to when it is entered into the system is five business days or less.

Recommendation 6: Require Field Officers and License Enforcement Officers to provide original receipts to customers and retain the carbon copies.

DACC Response to Recommendation 6: Agree and implemented.

All Field Officers and License Enforcement Officers have been instructed to provide the original copy of the receipts to customers and retain the carbon copies.

Recommendation 7: Ensure that staff leave an anchor copy in receipt books.

DACC Response to Recommendation 7: Agree and partially implemented.

It is the current practice of the License Enforcement Division to leave an anchor copy of the receipts in the receipt books. DACC is in the process of ordering new receipt books with an additional carbon copy which will remain in the receipt books as the anchor copy for Field Officers. Field Officers will be instructed to leave an anchor copy of the receipts in the receipt books.

Attachment

Recommendation 8: Designate a specific field in Chameleon for staff to record and track manual receipt numbers.

DACC Response to Recommendation 8: Agree and will be implemented.

The DACC IT Section is designating an available field in the Chameleon database for recording and tracking manual receipt numbers.

Recommendation 9: Clarify the Department's procedures for approving waived fees and require supervisors to document their approval.

DACC Response to Recommendation 9: Agree and will be implemented.

DACC management will send out a Department-wide memo to reinforce the fee waiver/reduction policy and procedures and require employees to document the waived/reduced fees by completing the Fee Reduction/Waived Form. All fee waiver forms shall be maintained at the Care Centers. In addition, DACC will provide training to employees and supervisors to clarify and reinforce the departmental policy and procedures on fee waivers.

Recommendation 10: Ensure License Enforcement Officers document the reason and/or provide support for waiving penalty fees.

DACC Response to Recommendation 10: Agree and implemented.

DACC staff has been informed that proper documentation of waived fees is expected in all cases where fees are reduced or waived. Fee Waiver forms were provided to Animal Control Officers and clerical staff which outline the reasons and criteria under which fees may be waived and require the approval of a manager and/or Deputy Director.

Recommendation 11: Ensure supervisors initial voided receipts and that voided receipts include an explanation as to why the receipt was voided.

DACC Response to Recommendation 11: Agree and will be implemented.

Supervisors will be instructed to ensure that all copies of voided receipts are retained in the receipt book. All copies of the receipts will be crossed out on the face of the receipt and marked "Void" with a justification as to why the receipt was voided. All voided receipts will be initialed and dated by the supervisor.

Attachment

Recommendation 12: Revise the Department's written procedures to clarify that staff should not give cash refunds and ensure staff are aware of this policy.

DACC Response to Recommendation 12: Agree and will be implemented.

DACC management will send out a Department-wide memo to clarify that the Department does not allow cash refunds. In addition, by early 2016, DACC will provide training to employees and supervisors to clarify the departmental policy and procedures on refunds.

Recommendation 13: Ensure care centers properly document daily reconciliations by comparing amounts on hand to collections, including collections for all methods of payment, listing all reconciling items, and signing and dating the reconciliations.

DACC Response to Recommendation 13: Agree and will be implemented.

Supervisors will be instructed to properly document the daily collections breakdown on the Daily Receipts-Safe Deposit Log and reconcile it with cash, check, and credit card total receipts. Additionally, the supervisors will be required to sign and date the daily reconciliation log.

Recommendation 14: Ensure care centers prepare a list of payments received in the mail and reconcile the list to collections entered in Chameleon.

DACC Response to Recommendation 14: Agree and partially implemented.

DACC has created a mail log to login all payments received through the mail. Supervisors will be required to periodically audit the mail log with the receipt entries in the Chameleon database to ensure that all payments have been entered into the system and a receipt created.

Recommendation 15: Ensure staff do not store personal belongings in cash drawers.

DACC Response to Recommendation 15: Agree and partially implemented.

Employees have been reminded to keep their personal belongings separate from the cash drawer. This will be resolved at the Baldwin Park and Carson Animal Care Centers by the pending remodel of the lobby counters which have been designed to provide adequate and separate storage for personal belongings. Storage will also be identified and available for clerical staff at other care centers to store their personal belongings separately and away from the cash drawers.

Attachment

Recommendation 16: Ensure cashiers store all cash and signed credit card receipts in a locked drawer.

DACC Response to Recommendation 16: Agree and implemented.

DACC staff will be instructed and reminded that all cash, checks and signed credit card receipts are to be stored in the locked cash drawers and away from access by unauthorized personnel.

Recommendation 17: Ensure mailboxes where payments are received are secured and access is restricted.

DACC Response to Recommendation 17: Agree and will be implemented.

DACC is in the process of ordering a locking mailbox for each of the Department's care centers. Access to the mailboxes will be limited to the care center's authorized staff.

Recommendation 18: Require care centers to document changes in custody over daily cash deposits and ensure the transferring and receiving employee each verify the amount transferred.

DACC Response to Recommendation 18: Agree and partially implemented.

DACC is in the process of modifying the existing log to document the changes in custody and amounts of the daily cash deposits. The custody log will document the names of the individuals in the chain of custody and the amounts of the deposits. The custody log will be verified and signed by a supervisor.

Recommendation 19: Assign each cashier a unique logon identification and password for credit card terminals and ensure passwords are not shared.

DACC Response to Recommendation 19: Agree and will be implemented.

DACC has directed its IT Section to ensure that all clerical staff have their own unique log-in profiles. All current clerical staff who are engaged in processing financial transactions will be provided with a unique log-in profile. We are also in the process of working with the FIS Link-to-Gov, the County's master agreement vendor for processing credit card transactions, to curtail the timelines associated with processing and issuing user and log-in profiles for new users.

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Recommendation 20: Ensure care centers properly complete and maintain control logs for change funds and limit access to control logs to the fund custodian or their designees.

DACC Response to Recommendation 20: Agree and will be implemented.

DACC is in the process of creating a centralized log for the Change Fund. The log will document the chain of custody of the assigned Change Fund and the amounts. The access to the log will be limited to authorized personnel.

Recommendation 21: Ensure accountability over cash drawer keys is maintained and documented.

DACC Response to Recommendation 21: Agree and partially implemented.

Supervisors have been reminded that that access to keys to the cash drawers must be limited to authorized personnel. Additionally, a log will be created and maintained to document the assignment of the cash drawer keys.

Recommendation 22: Department of Animal Care and Control management ensure contracts with cities are executed before the start of the service period and that all contract signatures are dated.

DACC Response to Recommendation 22: Agree and will be implemented.

The delay in executing the contracts for FY 2015-16 was primarily due to two factors. Firstly, the Department was in the process of contemplating the implementation of a revised cost recovery model which would allow it to better recover costs associated with medical care provided to the animals. This in turn delayed the submission of the billing rate models to the Auditor-Controller for review and approval of the established rates. Consequently, the rates were approved in late May 2015, and the Department sent the new Services Agreements to the contract cities on June 12, 2015. The contract cities were provided with a due date of June 26, 2015. The turnaround was approximately two weeks, which did not allow enough time for city staff to review, vet through their City's Attorney, and submit to their City Council meeting agendas for review and approval.

Secondly, FY 2015-16 presented a unique challenge in that it represented the start of a new five-year Service Agreement term where the entire contract and not just the Service Level Agreement (SLA) would have to be

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reviewed and approved by each respective City Council. This further delayed the processes described above in approving the agreements.

For agreements that were not executed by July 1, 2015, the Department under the authority of the General Services Agreement and Government Code Sections § 51301 and § 51302, which allows for the continuation of services under a contract until either a new contract is in place or the legislative body of either local agency votes not to continue the term of the contract, extended services under the existing contract on a month-to-month basis.

Recommendation 23: Ensure invoices for services provided to contract cities are accurate and require supervisors to document their review of the invoices.

DACC Response to Recommendation 23: Agree and will be implemented.

DACC is in the process of reviewing the contract cities billing process to improve the accuracy of invoices. DACC's IT Section is also in the process of identifying additional controls to refine data provided for billings to reduce errors and improve the accuracy of data used in preparing monthly invoices. Supervisors will be required to review the invoices and sign/date the invoices to document their review.

Recommendation 24: Maintain sufficient documentation to support amounts billed to contract cities, including calculations supporting the quantities invoiced and the reasons for any adjustments.

DACC Response to Recommendation 24: Agree and implemented.

Documentation to support adjustments to and calculations of invoices are specified in written procedures for preparing the invoices. These procedures were not requested by nor provided to the Auditor-Controller at the time of the audit. To resolve the issue of review, a comprehensive checklist has been developed to maintain calculations and justifications for any adjustments to the billings.

Recommendation 25: Transfer the contract cities' collections for the Low-Cost Spay Neuter Program out of the temporary holding trust fund at least monthly for funds for which the correct disposition has been identified.

DACC Response to Recommendation 25: Agree and will be implemented.

DACC Fiscal staff will work with the Auditor-Controller's Accounting Division to establish a new account in eCAPS. Funds collected for the

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Contract Cities' Low-Cost Spay Neuter Program will be transferred to the newly established account on a monthly basis.

Recommendation 26: Reconcile the temporary holding trust fund balance per departmental records to eCAPS monthly.

DACC Response to Recommendation 26: Agree and will be implemented.

DACC Fiscal staff will ensure that the temporary holding trust fund balance is reconciled per departmental records to eCAPS. There are 60 sub-accounts under the trust fund (V44) therefore it will take time to establish the ledger to support the reconciliation.

Recommendation 27: Establish a separate account within an eCAPS trust fund to hold monies for the Low-Cost Spay Neuter Program.

DACC Response to Recommendation 27: Agree and will be implemented.

DACC Fiscal staff will send a request to the Auditor-Controller's Accounting Division to establish a new Balance Sheet within a trust fund to hold monies for the Low-Cost Spay Neuter Program, separated from the Spay and Neuter refundable deposits.

s:\mary rivera\patrick malekian\audit review response